REMARKS

Claims 1-21 remain in this application. Claims 1, 9, 14, and 20 are independent.

Claims 14 and 20 are currently amended. In the Office Action, the Examiner has rejected

Claims 1-21 as being anticipated under 35 U.S.C. § 102(e) as being anticipated by Magill

(2004/0143542).

Applicants thank the Examiner for conducting a telephonic interview on

September 27, 2007. During the interview, Applicants' counsel and the Examiner

discussed the Magill reference and how the pending claims were patentably distinct from

Magill. In view of the following remarks and the discussion during the interview,

Applicants respectfully request reconsideration and withdrawal of all grounds of

rejection.

The invention of the above-referenced application is directed to systems and

methods for automated trading. More specifically, the invention is directed to a system

and method for processing trade orders essentially instantaneously and filling trade orders

with improvement (including price, size, and speed improvement) over the National Best

Bid and Offer (NBBO) by internalizing certain trade orders. Internalizing trade orders

refers to orders that a broker-dealer fills itself by trading on its own behalf with a

customer.

However, there are many customer orders that are not eligible for internalization

because the broker-dealer could be viewed as unfairly taking advantage of its customer

when internalizing the order. For example, when market makers received customer orders before the market opened, it raised concerns that market makers could use that information to determine market direction and strength and to profit from their own order flow when they traded for their own accounts when the market opened. The invention of the above-referenced application employs novel methods and systems in which the broker-dealer acting as a principal is not provided with access to information regarding the trade orders of the broker dealer acting as an agent to internalize trade orders without concerns over misuse of customer market data and obtain improvement over the NBBO.

For example, currently amended Claim 14 recites:

A computer-implemented system for processing a trade order comprising:
an order router;

an National Best Bid and Offer (NBBO) feed; and

an algorithm engine,

> wherein the order router is configured to:

> a) analyze quotes received from the algorithm engine and the NBBO feed;

> b) determine whether the trade order can be filled with improvement from the NBBO quote; and

> c) transmit the trade to one of i) a marketplace where the trade order can be filled with improvement from the NBBO quote or ii) a marketplace where the trade order can be filled at the NBBO quote,

> wherein the algorithm engine is configured to not have access to the trade order.

Claim 1 recites:

A computer-implemented method comprising:

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receiving a trade order;

analyzing quotes from an algorithm engine and from a National Best Bid and Offer (NBBO) feed;

selecting a marketplace based on the analyzed quotes;

and transmitting the trade order to the selected marketplace to be filled,

wherein the algorithm engine is not provided with access to the trade order.

Claim 9 recites:

A computer-implemented method comprising:

receiving a trade order;

analyzing quotes received from an algorithm engine and a National Best

Bid and Offer (NBBO) feed;

determining whether the trade order can be filled with improvement from the National Best Bid and Offer (NBBO); and

transmitting the trade order to one of (a) a marketplace where the trade order can be filled with improvement from the NBBO quote and (b) a marketplace where the trade order can be filled at the NBBO quote,

wherein the algorithm engine is not provided access to the trade order.

And Claim 20 recites:

An order router that is configured to:

a) analyze a quote received from an algorithm engine and a quote

from a National Best Bid and Offer (NBBO) feed;

b) determine whether the trade order can be filled with

improvement from the NBBO quote; and

c) transmit the trade order to one of i) a marketplace where the trade order can be filled with improvement from the NBBO or ii) a marketplace where the trade order can be filled at the NBBO, wherein the quote from the algorithm engine is made without access to the trade order.

Magill is directed to an automated trading system. It provides for an interactive order book system for aggregating, manipulating displaying and interacting with order data. (Magill ¶ 0060.) In addition to conventional types of trading orders (*e.g.*, market orders, limit orders, stop orders, etc.), it also supports "Match" and "Range" Orders. (*Id.*¶ 0061.) With a Match Order, the system of Magill dynamically searches out the NBBO and determines the decimalized midpoint of the NBBO and displays that resulting number in the Open Order Limit Order Book for each security registered on the system of Magill as the "Match" price at that moment in time. (Magill ¶ 0062.)

The Match Orders of Magill preferably include the following variables: buy or sell indication; number of shares to be bought or sold; designation of the order as a "Match" type of order; and an optional "Limit" price of the calculated "Match" price above or below which the order becomes invalid. (Magill ¶¶ 0063-0067.) The Match Order quote is not analyzed or compared with any other quote. When a Match Order is made, the system of Magill simply determines whether the Match Order can be executed. (*Id.* ¶¶ 0068-0070.)

Magill (including specifically the portions of it cited in the Office Action) contains no other references to the NBBO. And it does not contain any references to improving the NBBO or to improving it by comparing it to a quote from an algorithm engine that does not have access to the trade order.

The Office Action argues that Magill "discloses a method and corresponding system and order router for electronic orders comprising receiving a trade order, analyzing quotes from an algorithm engine and from a National Best Bid and Offer feed, selecting a marketplace based on the analyzed quotes, and transmitting the trade order to the selected marketplace to be filled, wherein the algorithm engine is not provided with access to the trade order." (Office Action at 2 (citing Magill ¶¶ 29-31, 60-81).) Applicants respectfully disagree.

Magill does not teach, disclose, or suggest analyzing <u>two different quotes from an algorithm engine and from a National Best Bid and Offer (NBBO) feed</u> as recited in Claims 1, 9, 14, and 20 (and the claims that depend on those claims). The reference in Magill to the continuous determination of the decimalized midpoint of the NBBO in paragraph 60 of Magill is not the same as analyzing two quotes, a quote from an NBBO feed and a quote from an algorithm engine that does not have access to the trade order. The system of Magill does necessarily perform a computation to determine the decimalized midpoint of the NBBO, but it is not determining whether a trade order can be filled by a broker-dealer acting as a principal with <u>improvement</u> from the NBBO quote as recited in Claims 9, 14, and 20.
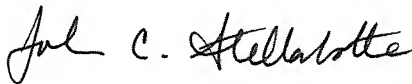
The claims dependent on Claims 1, 9, 14, and 20 are patentably distinct from

Magill for at least the same reasons discussed above.

CONCLUSION

In light of the foregoing amendments and remarks, Applicants believe that the application is in a proper format for allowance of all currently pending claims and earnestly solicit a notice to that effect.

Respectfully submitted,

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